

Message Text

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ACTION EB-04

INFO OCT-01 SS-04 NSC-04 NSCE-00 INR-01 CIAE-00 EUR-03

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P 041817Z FEB 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 5281

C O N F I D E N T I A L SECTION 01 OF 02 OECD PARIS 03040

LIMDIS

GREENBACK

PASS TREASURY FOR THOMAS LEDDY AND NANCY JACKLIN FROM
BRADFIELD

E.O. 11652: GDS

TAGS: LFIN, OECD

SUBJECT: DRAFT SOLIDARITY FUND AGREEMENT

1. THERE FOLLOWS DRAFT TEXT OF LIQUIDATION PROVISIONS
OF SOLIDARITY FUND AGREEMENT. TEXT ATTEMPTS TO DEAL
WITH COOPER'S POINT ON POWERS DURING LIQUIDATION BY
PROVIDING FOR A DECISION (WITHIN THE CONTEXT OF
DECISION TO LIQUIDATE, THUS A 2/3 MAJORITY) OF THE
GOVERNING COMMITTEE ON THE POWERS THAT WILL BE CON-
TINUED FOR THE PURPOSES OF LIQUIDATION.

2. SUBSTANTIVE PROVISIONS OF LIQUIDATION ARTICLE ARE
DRAWN FROM EPU, WITH A CHANGE PROVIDING THAT ANY
BALANCE IN RESERVE ACCOUNT WOULD BE DISTRIBUTED FIRST
TO CREDITORS. OECD STAFF PROPOSES BALANCE IN RESERVE
ACCOUNT BE CREDITED TO ALL MEMBERS IN PROPORTION TO
QUOTAS AND THEN LIQUIDATION PROVISIONS IN PARAS (B)
AND (C) WOULD PROCEED.

3. REQUEST YOU MAKE ANALYSIS, SIMILAR TO ANALYSIS
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MADE OF IMF LIQUIDATION PROVISIONS, USING VARIOUS

ASSUMPTIONS ON AMOUNTS IN RESERVE ACCOUNT AND CLAIMS
OUTSTANDING. ANALYSIS WILL BE NEEDED PRIOR TO FEBRUARY
13 MEETING OF AD HOC WORKING GROUP. TEXT FOLLOWS.

ARTICLE XVIII

LIQUIDATION

FOLLOWING THE DATE ON WHICH THE AUTHORIZATION FOR THE
FUND/ARRANGEMENT TO GRANT LOANS LAPSES, WITHOUT BEING
RENEWED, THE GOVERNING COMMITTEE SHALL TAKE A DECISION,
BY A TWO THIRDS MAJORITY VOTE, EITHER TO MAINTAIN THE
FUND/ARRANGEMENT IN EXISTENCE UNTIL THE DATE ON WHICH
THE LAST REPAYMENT OF ITS LOANS FALLS DUE AND TO
LIQUIDATE THE FUND/ARRANGEMENT AT THAT DATE, OR TO
LIQUIDATE THE FUND/ARRANGEMENT AT AN EARLIER DATE.
IF THE DECISION IS TO MAINTAIN THE FUND/ARRANGEMENT IN
EXISTENCE, SUCH DECISION SHALL ALSO DETERMINE THE
PROVISIONS OF THIS AGREEMENT WHICH MAY CONTINUE TO
REMAIN IN FORCE FOR THE PURPOSE OF LIQUIDATION. AT
THE DATE OF LIQUIDATION THE FUND'S/ARRANGEMENT'S ASSETS
AND LIABILITIES WILL BE LIQUIDATED IN ACCORDANCE WITH
THE FOLLOWING RULES:

(A) ANY BALANCE IN THE RESERVE ACCOUNT SHALL BE
DISTRIBUTED AMONG THE MEMBERS WHICH HAVE CLAIMS PURSUANT
TO ARTICLE XIV, SECTION 5, IN PROPORTION TO THOSE CLAIMS.

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C O N F I D E N T I A L SECTION 02 OF 02 OECD PARIS 03040

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(B) ANY CLAIM ON, OR LIABILITY TO, THE FUND/ARRANGEMENT STILL OUTSTANDING SHALL BE CANCELLED AND REPLACED BY BILATERAL CLAIMS AND DEBTS CALCULATED AS FOLLOWS:

(I) EACH MEMBER SHALL HAVE A DEBT TO EACH OF THE MEMBERS WHICH HAS A CLAIM ON THE FUND/ARRANGEMENT EQUIVALENT TO THAT FRACTION OF THAT CLAIM WHICH IS EQUAL TO THE FRACTION WHICH THE QUOTA OF THE FIRST MEMBER REPRESENTS OF THE SUM OF THE QUOTAS OF ALL THE MEMBERS.

(II) EACH MEMBER WHICH HAS A LIABILITY TO THE FUND/ARRANGEMENT SHALL HAVE A DEBT TO EACH OF THE OTHER MEMBERS EQUIVALENT TO THAT FRACTION OF THAT LIABILITY WHICH IS EQUAL TO THE FRACTION WHICH THE QUOTA OF THE LATTER MEMBER REPRESENTS OF THE SUM OF THE QUOTAS OF ALL THE MEMBERS.

(C) THESE BILATERAL CLAIMS AND DEBTS SHALL BE EXPRESSED AND REPAYED WITH INTEREST IN THE CURRENCY OF THE MEMBER TO WHICH THE DEBT IS OWED, UNLESS THERE IS AGREEMENT TO THE CONTRARY BETWEEN THE TWO MEMBERS CONCERNED. THE TERMS OF THESE OBLIGATIONS SHALL BE FIXED BY AGREEMENT BETWEEN THE TWO MEMBERS, OR, IN CONFIDENTIAL

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THE ABSENCE OF SUCH AGREEMENT, BY DECISION OF THE GOVERNING COMMITTEE.

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